

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

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EXDIS

E.O. 11652: GDS

TAGS: EINV, EG

SUBJECT: HASSAN ABDUL FATAH ON MICHELIN/GOODYEAR/FORD

1. AT LUNCH JULY 22 AMBASSADOR HAD TALK WITH HASSAN ABDUL FATAH, DEPUTY CHAIRMAN, GENERAL AUTHORITY FOR INDUSTRIALIZATION, ON VARIOUS MATTERS. FOLLOWING POINTS OF INTEREST EMERGED.

2. MICHELIN: ABDUL FATAH CLAIMED DISCUSSIONS WITH MICHELIN HAVE GENERALLY GONE WELL, BUT THERE IS ONE MAJOR STICKING POINT. MICHELIN CONTINUES TO INSIST UPON A FIVE PERCENT ROYALTY. EGYPTIANS ARE TRYING TO BRING THIS DOWN TO TWO PERCENT, SIMILAR TO THE PERCENTAGE GOODYEAR HAS AGREED UPON IN ITS REVISED PROPOSAL. HE NOTED MICHELIN IS A TOUGH BARGAINER AND WAS UNSURE WHETHER IT WOULD ULTIMATELY AGREE TO EGYPTIAN REQUEST.

3. GOODYEAR: NOTING GOODYEAR HAD PRESENTED A NEW PROPOSAL (CAIRO 9530), ABDUL FATAH OBSERVED GOODYEAR EXPORT FIGURE HAS BEEN RAISED TO 35 PERCENT. TOTAL PRODUCTION HAS BEEN HALVED AND GOODYEAR HAS REDUCED ITS ROYALTY FROM THREE TO TWO PERCENT. GOODYEAR CONTINUES TO REQUIRE A \$5 MILLION HARD CURRENCY INFUSION. LAST POINT OBVIOUSLY STILL TROUBLED ABDUL FATAH. HE ARGUED, AS HE HAS DONE BEFORE, THAT IF GOE HAS SUCH HARD CURRENCY AVAILABLE, THEY SHOULD GIVE TO THE LOCAL TIRE COMPANY, TENNECO, TO INCREASE ITS PRODUCTION. DESPITE SCALED-DOWN GOODYEAR OFFER, HE DID NOT SEEM VERY

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PAGE 02 CAIRO 09952 231329Z

ENTHUSIASTIC ABOUT IT. AMBASSADOR TOOK OPPORTUNITY TO EM-

PHASIZE TO ABDUL FATAH THAT GOODYEAR COULD PERFORM A MAJOR SERVICE FOR EGYPT.

4. FORD: ABDUL FATAH WAS A MEMBER OF THE TECHNICAL COMMITTEE CONSIDERING THE FORD PROJECT. HE OBSERVED THAT THE FORD NEGOTIATIONS HAD "EXAGGERATED THEIR DEMANDS." IT WAS FORD, NOT GOE (AS FORD HAS IMPLIED TO US), THAT INITIALLY PRESSED FOR AN INLAND RATHER THAN FREE-ZONE PROJECT. FORD WISHES TO BUILD DIESEL ENGINES IN EGYPT FOR USE IN EUROPE. EGYPT HAS NO OBJECTION TO THIS, BUT ALSO HAS NO NEED OF ITS OWN FOR SUCH DIESELS. FORD HAD INDICATED THAT SOME MIGHT BE USED IN THE SIX-TON TRUCKS WHICH IT PROPOSES TO ASSEMBLE HERE. THIS MIGHT BE SO, BUT THE NUMBER IS SMALL. SO FAR AS THE TRUCKS ARE CONCERNED, THESE WILL ONLY BE ASSEMBLED HERE; LOCAL COMPONENT WILL BE MINIMAL. MOREOVER, FORD, TOO, IS ASKING FOR HARD CURRENCY ON AN IMPORT SUBSTITUTION BASIS. FORD PROJECT, AS PRESENTED, ABDUL FATAH CONTENDED, IS MORE SUITABLE FOR FREE ZONE. ASKED WHERE PROJECT NOW STOOD, HE FELT THERE HAS TO BE SOME NEW INITIATIVE BY FORD IF THE PROJECT IS TO BE RECONSIDERED.

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